Investor News

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Financial and innovation targets for 2011 achieved

Bayer: sales and EBIT at record levels

- Sales increase by 4.1 percent to EUR 36,528 million
- Operating result (EBIT) improves by 52.0 percent to EUR 4,149 million
- EBITDA before special items advances by 7.2 percent to EUR 7,613 million
- Growth at HealthCare and CropScience, decline in momentum at MaterialScience
- Net income climbs by 89.9 percent to EUR 2,470 million
- Success of new products creates optimism for the future
- Presence in emerging markets further expanded
- Forecast for 2012: slight increase in underlying earnings

Leverkusen, February 28, 2012 – The Bayer Group had a very successful year in 2011 both strategically and operationally, posting record levels of sales and EBIT. “We achieved the Group targets that we raised after the first quarter,” said Bayer CEO Dr. Marijn Dekkers at the Financial News Conference in Leverkusen on Tuesday. The company also made good progress toward further innovation and expanding its activities in emerging markets. For 2012 Dekkers predicted a slight improvement in underlying earnings despite an economic situation marked by uncertainty.

Sales of the Bayer Group rose by 4.1 percent in 2011, to EUR 36,528 million (2010: EUR 35,088 million). Adjusted for currency and portfolio effects (Fx & portfolio adj.), sales were up by 5.5 percent. “Thus we exceeded the record set in 2010,” Dekkers said. Sales in the emerging markets rose by 9.0 percent on a currency-adjusted (Fx adj.) basis, contributing disproportionately to the expansion in business. The operating result (EBIT) advanced by a substantial 52.0 percent to EUR 4,149 million (2010: EUR 2,730 million).

Special items totaled minus EUR 876 million (2010: minus EUR 1,722 million). They included EUR 741 million in charges for the Group-wide restructuring initiative, EUR 260 million in litigation expenses, and EUR 99 million in gains from divestitures. EBIT before

special items increased by 12.9 percent to EUR 5,025 million (2010: EUR 4,452 million). Earnings before interest, taxes, depreciation and amortization (EBITDA) – before special items – rose by 7.2 percent to EUR 7,613 million (2010: EUR 7,101 million). There was a particularly sharp increase of 89.9 percent in net income, to EUR 2,470 million (2010: EUR 1,301 million). Core earnings per share moved ahead by 15.3 percent to EUR 4.83 (2010: EUR 4.19).

Gross cash flow advanced by 8.4 percent to EUR 5,172 million (2010: EUR 4,771 million), while net cash flow declined by 12.4 percent to EUR 5,060 million (2010: EUR 5,773 million). Net financial debt fell by EUR 0.9 billion against December 31, 2010, to EUR 7.0 billion. “Our remaining financial liabilities have an even maturity structure, so we aim to make all repayments in the coming years out of available liquidity and current cash flows,” said CFO Werner Baumann.

HealthCare successful in emerging markets

Sales of the HealthCare subgroup increased by 1.5 percent (Fx & portfolio adj. 2.4 percent) in 2011 to EUR 17,169 million (2010: EUR 16,913 million). “One of our strengths continues to be our well-stocked development pipeline in Pharmaceuticals. We were particularly successful here in 2011,” Dekkers remarked. “Another positive aspect at HealthCare is our strong position in the emerging markets.”

Business in the Pharmaceuticals segment edged ahead by 0.6 percent (Fx & portfolio adj.) to EUR 9,949 million, with sales gains registered especially in Asia/Pacific and Latin America. Business in China, particularly, showed strong growth. Sales receded in North America and Western Europe because of health system reforms and generic competition. Among the company’s best-selling products, the blood-clotting factor Kogenate™ performed especially well, with sales up by a currency-adjusted 8.3 percent. Aspirin™ Cardio for prevention of heart attacks and Mirena™ for long-term hormonal contraception achieved double-digit growth of 12.6 and 10.7 percent (Fx adj.), respectively. Sales of the erectile dysfunction treatment Levitra™ were markedly lower due to the partial restructuring of distribution activities for general medicine products in the United States. Business with Levitra™ shrank by 22.2 percent (Fx adj.) overall. Sales of the multiple sclerosis drug Betaferon™/Betaseron™ declined by 5.4 percent (Fx adj.) due to heightened competition and to price reductions in connection with health system reforms, primarily in Europe.

Sales in the Consumer Health segment improved by 5.1 percent (Fx & portfolio adj.) to EUR 7,220 million, with all divisions and regions contributing to growth. In the non-prescription medicines business (Consumer Care), the skincare product Bepanthen™/Bepanthol™ performed particularly well, with sales up 10.6 percent (Fx adj.). Sales of the analgesics Aspirin™ (Fx adj. plus 8.6 percent) and Aleve™/naproxen (Fx adj. plus 9.1 percent) also gained substantially. The Medical Care Division benefited from the growth in sales of the Contour™ line of blood glucose meters (Fx adj. plus 7.7 percent), while business with the contrast agent Magnevist™ shrank by 11.8 percent (Fx adj.). In the animal health business, sales of the Advantage™ line of flea, tick and worm control products advanced by 6.2 percent (Fx adj.).

EBITDA before special items of Bayer HealthCare improved by 6.7 percent to EUR 4,702 million (2010: EUR 4,405 million). This was largely attributable to the positive business development at Consumer Health and cost containment at Pharmaceuticals. “One factor here is that numerous cost-intensive Phase III studies for our anticoagulant Xarelto™ have been concluded,” Dekkers explained. Increased expenses for the marketing of new products and expansion in the emerging markets were almost completely offset by restructuring and cost-saving measures.

Favorable market environment for CropScience persists

The CropScience subgroup raised sales by 6.2 percent (Fx & portfolio adj. 8.9 percent) in 2011 to EUR 7,255 million (2010: EUR 6,830 million). All regions contributed to this performance, with sales increasing by double-digit percentages (Fx adj.) in North America and Latin America/Africa/Middle East. Growth was driven mainly by new products at Crop Protection and the positive development at BioScience, while sales at Environmental Science moved slightly lower. “There was a positive impact from the favorable market environment for agricultural commodities,” Dekkers reported.

Crop Protection benefited from the expansion of business with new products, raising sales by 8.9 percent (Fx & portfolio adj.) overall. Sales of fungicides improved by 12.0 percent, while seed treatment products were up by 23.6 percent and herbicides by 9.0 percent (all Fx & portfolio adj.). Business with insecticides held steady year on year (Fx & portfolio adj.) despite the cessation of marketing for older products.

BioScience, which specializes in seeds and plant traits, increased sales by 19.1 percent (Fx & portfolio adj.), posting double-digit growth rates in the core crops of oilseed

rape/canola, cotton, rice and vegetables. Sales in Environmental Science showed a slight decline of 1.5 percent (Fx & portfolio adj.).

EBITDA before special items of CropScience improved by a substantial 27.9 percent against the relatively weak prior-year level, to EUR 1,654 million (2010: EUR 1,293 million). The underlying EBITDA margin advanced by 3.8 percentage points. Earnings growth was driven by significant volume increases and the resulting marked improvement in capacity utilization. The efficiency-improvement measures also helped to raise earnings.

Earnings of MaterialScience below expectations

“The MaterialScience business unfortunately performed below expectations in 2011,” said Dekkers. “A positive factor is that we increased sales, and were able to raise selling prices, in all business units and regions. On the other hand, we scarcely achieved any volume increases.” Sales of high-tech materials rose by 6.7 percent (Fx & portfolio adj. 8.2 percent) overall to EUR 10,832 million (2010: EUR 10,154 million).

Business with raw materials for foams (Polyurethanes) improved by 9.5 percent (Fx & portfolio adj.). High-tech plastics (Polycarbonates) advanced by 5.6 percent, while raw materials for coatings, adhesives and specialties were up by 4.5 percent (both Fx & portfolio adj.). Industrial Operations achieved a sales gain of 21.9 percent (Fx & portfolio adj.).

EBITDA before special items of MaterialScience moved back by 13.6 percent to EUR 1,171 million (2010: EUR 1,356 million). This decline resulted primarily from higher raw material costs that could not be fully offset by selling-price increases. Higher operating costs were also incurred, including those for commissioning the TDI plant in China. Among the positive effects were savings achieved through efficiency-improvement measures.

Emerging markets' share of sales increased

"Another positive aspect was our strong performance in the emerging markets, where we raised sales by 9 percent overall," said Dekkers. Bayer has defined the emerging markets as Asia (excluding Japan), Latin America, Eastern Europe, Africa and the Middle East. With sales of EUR 13,290 million in 2011 (2010: EUR 12,493 million), these countries accounted for 36.4 percent (2010: 35.6 percent) of total Group sales.

Clear improvement in net income in the fourth quarter of 2011

"Overall business development in the fourth quarter showed a mixed picture," said CFO Werner Baumann. "While HealthCare and CropScience achieved modest sales gains on a currency- and portfolio-adjusted basis, business at MaterialScience was level with the corresponding period of 2010." Group sales advanced by 2.0 percent (Fx and portfolio adj. 1.9 percent) to EUR 9,191 million (Q4 2010: EUR 9,012 million). EBIT showed a clear improvement to EUR 629 million (Q4 2010: EUR 51 million), while EBITDA before special items moved back by 8.8 percent to EUR 1,541 million (Q4 2010: EUR 1,689 million). "This was almost entirely because of the distinct drop in earnings at MaterialScience," explained Baumann. Net income came in at EUR 397 million, against a EUR 145 million net loss in the prior year. Core earnings per share were EUR 0.97 (Q4 2010: EUR 0.95).

Confident for future business development

Dekkers expressed his confidence for the company's future development: "We got off to a solid start in 2012," he said. The Bayer Group anticipates sales growth in 2012 of about 3 percent (Fx & portfolio adj.) overall. Based on the company's currency assumptions – including a rate of US$1.40 (2011 average: US$1.39) to the euro – Bayer therefore expects Group sales to come in at around EUR 37 billion. The company plans a slight improvement in EBITDA before special items. This will be driven by HealthCare and CropScience, while earnings at MaterialScience are likely to be flat with 2011 in view of the currently difficult market conditions. Bayer also plans to slightly improve core earnings per share.

For 2012 the company has planned capital expenditures of EUR 1.5 billion for property, plant and equipment and EUR 0.4 billion for intangible assets. Depreciation and amortization are expected to total about EUR 2.6 billion, including EUR 1.3 billion in

amortization of intangible assets. Bayer expects research and development spending to continue on the high level of recent years at about EUR 3.0 billion.

HealthCare's top priority for 2012 is to successfully commercialize the new pharmaceutical products. The subgroup plans to increase sales by a low- to mid-single-digit percentage (Fx & portfolio adj.). A slight improvement in EBITDA before special items is planned, although earnings are likely to be hampered by higher marketing expenses and the effects of the genericization of Yasmin™ in Europe. Sales of the Pharmaceuticals segment in 2012 are forecasted to remain stable or move slightly higher (Fx & portfolio adj.), and EBITDA before special items to approximately match the prior-year level. In the Consumer Health segment, Bayer anticipates mid-single-digit growth in sales (Fx & portfolio adj.) and in EBITDA before special items.

Bayer expects market conditions for its CropScience business to remain favorable in 2012. The subgroup predicts above-market growth and anticipates that sales (Fx & portfolio adj.) and EBITDA before special items will advance by mid-single-digit percentages.

MaterialScience currently forecasts sales (Fx & portfolio adj.) and EBITDA before special items in 2012 to remain level with the prior year. Should the market environment develop more favorably than anticipated, the subgroup expects sales and earnings to increase accordingly. MaterialScience forecasts currency- and portfolio-adjusted sales in the first quarter of 2012 to be roughly level with the fourth quarter of 2011. It expects EBITDA before special items in the first quarter of 2012 to be well above the figure for the fourth quarter of 2011 but below the first quarter of 2011.

In 2013 the Bayer Group expects to achieve continued growth in sales, EBITDA before special items, and core earnings per share, with its new pharmaceutical products contributing to this expansion. Bayer plans to make capital expenditures for property, plant and equipment and for intangible assets on about the same levels as in 2012. The company anticipates a slight increase in research and development expenses.

Good progress with innovations

Dekkers emphasized that Bayer needs innovations that it can successfully commercialize as a precondition for further growth. “We all work every day to build on our position as a world-class inventor company that improves the lives of many people with its innovative products and solutions.” That, he said, is what the mission “Bayer: Science For A Better Life” is all about.

Dekkers reported that the company had made good progress in this area in 2011, and in December had therefore raised its sales expectations for a number of pharmaceutical products. “We now consider that four of our medicines in late-stage development have the potential to become blockbusters. That means each of these products could achieve peak annual sales of EUR 1 billion or more,” he added. He said this applies especially to the innovative anticoagulant Xarelto™, which alone could reach peak sales of more than EUR 2 billion.

Dekkers said that in crop protection and seed technology, too, the company has development pipelines that are well stocked with promising projects. “We expect crop protection products that we aim to launch between 2011 and 2015 to have a peak annual sales potential totaling around EUR 2 billion.”

Many global challenges cannot be overcome without innovative solutions, Dekkers explained. A growing, aging population and increasing affluence in the emerging countries are boosting the demand for innovative health care solutions, he said. On top of this comes the fact that the global demand for food is increasing, and yet it is very difficult to increase the amount of arable land. The need for innovative materials and resource efficiency is also more acute than ever before, Dekkers remarked. “Our task is to develop solutions in these areas. The key to this is to steadily strengthen our innovative capability.”

Dekkers said that in fact, innovations and their value to society often are not adequately acknowledged. He explained this taking the example of the health system reforms in many countries. “I am concerned about the side-effects this policy will have,” said the Bayer CEO. “Because the money we earn from today’s medicines pays for the development of tomorrow’s medicines.” The costs for researching and developing a drug product nowadays can quickly mount up to EUR 1 billion or more, he said. “The

anticoagulant Xarelto™ cost us and our partner Johnson & Johnson some EUR 2 billion to research and develop."

He also said there is no certainty that research and development work for new medicines will be successful. Because despite a sharp increase in research expenditures worldwide, the number of new drug products receiving marketing approval from the U.S. FDA or the European Union each year has remained largely constant over the past 20 years. "Generally speaking, only about 10 out of every 10,000 substances tested after screening will enter the first stage of clinical development, and only about one will make it to the market. Yet we need innovative pharmaceuticals more than ever, because so many known diseases still cannot be treated adequately, or at all, with medicines," Dekkers stressed. If the revenues from current products are too sharply reduced, the medium-term effect may be that research-based pharmaceutical companies will lack the resources they need to develop medicines in the future. He firmly believes that pharmaceutical research can still achieve a great deal. Scientific advances over the last 15 years or so – in cell biology, for example – provide a very good starting-point for developing new drugs to treat a variety of diseases.

Dekkers said these are things that need to be explained more often and more clearly so that society accepts innovations and acknowledges their value, and it is time for industry to become more involved in the current debate.

Note:

Below you will find tables containing the key data of the Bayer Group and its subgroups for the full year and the fourth quarter of 2011.

The complete Annual Report 2011 is available on the Internet at
www.investor.bayer.com

Supplementary material at ***www.investor.bayer.com*** *includes:*
- Live webcast of the ***News Conference*** *from approx. 10:00 a.m. CET*
- Notice of the ***Annual Stockholders' Meeting 2012*** *from approx. 10:00 a.m. CET*
- Presentation charts for the ***Investor Conference Call*** *at 12:00 noon CET*
- Live webcast of the ***Investor Conference Call*** *from approx. 2:00 p.m. CET*
- Recording of the ***Investor Conference Call*** *from approx. 6:00 p.m. CET*

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Forward-Looking Statements
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Bayer Group Key Data, Fourth Quarter and Full Year 2011

Bayer Group (EUR million)	Q4 2010	**Q4 2011**	Change in %	FY 2010	**FY 2011**	Change in %
Sales	9,012	**9,191**	+2.0	35,088	**36,528**	+4.1
EBIT	51	**629**	-	2,730	**4,149**	+52.0
Special items	*(954)*	***(215)***	-	*(1,722)*	***(876)***	-
EBIT before special items	1,005	**844**	-16.0	4,452	**5,025**	+12.9
EBITDA	1,510	**1,415**	-6.3	6,286	**6,918**	+10.1
Special items	*(179)*	***(126)***	-	*(815)*	***(695)***	-
EBITDA before special items	1,689	**1,541**	-8.8	7,101	**7,613**	+7.2
Net income (loss)	(145)	**397**	-	1,301	**2,470**	+89.9
Earnings per share (EUR)	-0.18	**0.48**	-	1.57	**2.99**	+90.4
Core earnings per share (EUR)	0.95	**0.97**	+2.1	4.19	**4.83**	+15.3

Bayer HealthCare (EUR million)	Q4 2010	**Q4 2011**	Change in %	FY 2010	**FY 2011**	Change in %
Sales	4,468	**4,595**	+2.8	16,913	**17,169**	+1.5
EBIT	(129)	**770**	-	1,861	**3,191**	+71.5
Special items	*(901)*	***(45)***	-	*(1,169)*	***(176)***	-
EBIT before special items	772	**815**	+5.6	3,030	**3,367**	+11.1
EBITDA	985	**1,110**	+12.7	4,116	**4,502**	+9.4
Special items	*(153)*	***(70)***	-	*(289)*	***(200)***	-
EBITDA before special items	1,138	**1,180**	+3.7	4,405	**4,702**	+6.7

Bayer CropScience (EUR million)	Q4 2010	**Q4 2011**	Change in %	FY 2010	**FY 2011**	Change in %
Sales	1,653	**1,676**	+1.4	6,830	**7,255**	+6.2
EBIT	118	**47**	-60.2	261	**562**	+115.3
Special items	*(26)*	***(98)***	-	*(526)*	***(606)***	
EBIT before special items	144	**145**	+0.7	787	**1,168**	+48.4
EBITDA	244	**251**	+2.9	767	**1,215**	+58.4
Special items	*(26)*	***(22)***		*(526)*	***(439)***	
EBITDA before special items	270	**273**	+1.1	1,293	**1,654**	+27.9

Bayer MaterialScience (EUR million)	Q4 2010	**Q4 2011**	Change in %	FY 2010	**FY 2011**	Change in %
Sales	2,584	**2,596**	+0.5	10,154	**10,832**	+6.7
EBIT	156	**(4)**	-	780	**633**	-18.8
Special items	*0*	***44***	-	*0*	***44***	-
EBIT before special items	156	**(48)**	-	780	**589**	-24.5
EBITDA	297	**150**	-49.5	1,356	**1,215**	-10.4
Special items	*0*	***44***	-	*0*	***44***	-
EBITDA before special items	297	**106**	-64.3	1,356	**1,171**	-13.6

EBITDA, EBIT(DA) before special items and core earnings per share are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. For the definitions of these indicators, see the current Annual Report at www.bayer.com.